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### **November 2005 Almond Position Report**

November 2005 shipments were 89.5 million pounds. This is down about 13% from the November 2004 shipments of 103.3 million pounds.

Carry-in from last year: 137.7 million pounds

Crop receipts to date: 820.9 million pounds

**Less 4% loss / exempt: (32.8 million pounds)**

Total Supply: 925.8 million pounds

**Less shipments to date: (340.4 million pounds)**

Supply Remaining: 585 million pounds

### **Top Ten Things Being Said in California**

10. The U.S. Dollar is likely to weaken. We have already see it come off it's recent highs. This is a good sign for our exports.
9. I am getting \$3.75 / lb for my Nonpareils in the domestic market.
8. There are not enough good quality Nonpareils and Extra #1 quality should carry a premium this year. The moisture is low resulting in a higher than average chip and scratch percentage. And the serious damage is much higher.
7. The almonds we have must last through August. We should not be engaging in anticipatory discounting. Prices have dropped too much too quickly. There was no need for this to happen.
6. Buyers are ready to pay these prices. They just want to see stability in the market.
5. Manufactured capacity is booked through December. Blanched manufactured product should be at \$4.15 - at a \$1.15 premium over blanchable standards.
4. If bloom is not perfect, look out - we are not going to have enough almonds....and that varroa mite is wreaking havoc with the bees.
3. We have more huller / sheller capacity this year. A higher percentage of our crop is received than ever before. As of October we were already 80% received or better.
2. It's all in the receipts. Receipts through October were only 665 million pounds. We are certainly 96% received or better through November, putting this crop at no more than 855 million pounds.
1. We agreed at the CAEA meeting that.....

**Top Ten Things Being Said Everywhere Else**

10. The U.S. Dollar averaged 1.178 against the Euro in November. This was the strongest monthly average since November 2003. Interest rates are going higher in the USA. People are going to want to hold Dollars. This is not good for imports.
9. Nonpareils are selling at \$3.75 / lb in the U.S. market. It's only the small guys discounting....the big guys don't believe that these price declines are justified. The five offers that I have at \$3.40 / lb from California packers must be a mistake.
8. Nonpareil Extra #1 is tough to find. Call the peanut guy in Shandong or the cashew guy in Vietnam. I guess we won't buy almonds this year.
7. Prices have dropped about \$0.70 / lb in under 2 months. Vive la solidarite en Californie!
6. Tomorrow it will be cheaper.
5. Get your manufactured from Spain. It's worth the wait.
4. We need to act quickly and put bees on the Endangered Species list. This is getting serious.
3. They were saying last week that we would not get more than 800 million pounds - maximum 820. Today they are saying 855 million. During the past 6 years, an average of 91.2% of the crop has been received. That would put the crop at 900 million pounds. Could it be?
2. They're telling us that the crop won't make 820. Didn't it already make it?
1. They agreed at the CAEA that.....But they called me and told me that since I'm a good customer, they would come off that price a bit. And to bring a bid.

**CONCLUSION**

Everyone in the almond business knew that at some point, prices were going to come down. People who recently paid what now seem to be high prices were paying them because they had thought that \$2.50 for NPS 23/25 AOL was a high price - just 15 months ago. With all the talk of Nonpareils off by 60% and a crop in starting with a "7" in front of it - clients wanted to be safe. Big quantities were not done at the highest levels, but the industry is now living through what was inevitable - an undisciplined correction. Over-correction? Maybe, but unlikely.

Honorable companies will meet their obligations; as honorable shippers met theirs during the past 4 years. Those who gamble with other people's money will not. Containers are being left in various destinations around the world, but for the most part, defaults have been relatively few. Payment delays have been more common.

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Hindsight is 20/20, but anyone who thought that a grower return of \$3 / lb was sustainable now knows better. The question everyone has is: "Where will it stop?" It will not stop as long as there is someone willing to sell. If new crop blanchable standards are being traded somewhere between \$2.20 - \$2.40 / lb, how long can \$3.00 / lb hold? Second hand is already \$0.10 - \$0.15 / lb lower, but second hand has to eventually ship something. If California wants to hold the line, then it needs to regain some of the solidarity that it had when the markets were going up. Trouble is that there are still too many people hungry for firm bids and everyone wants to be 70% or better sold by bloom and sold-out by June. Few, if any, want to have inventory when the 2006 crop comes in.

Solidarity in a falling market with grower payments due is a tough commodity to find. Especially at the coffee shop in Wasco, Chico or Ballico. Not enough life boats for everyone, so better get in now. The water is cold, dark and deep.

Best regards,  
DERCO FOODS

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